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Control No. 454854
10 August 1955
RE: EIC-D-111/1


ECONOMIC INTELLIGENCE COMMITTEE

MEMORANDUM FOR: EIC Representatives of the IAC Agencies

SUBJECT: Report of the Special Working Group for the
Evaluation of Economic Intelligence Support
(Revised)

REFERENCES: (1) Items 4 and 5, Minutes of EIC Meeting
of 23 June 1955 (EIC-M-44)
(2) Report of the Special Working Group for
the Evaluation of Economic Intelligence
Support (Revised), (EIC-D-111/1)

The EIC Representatives of the IAC Agencies have, by interim action, accepted the report of the Special Working Group for the Evaluation of Economic Intelligence Support (Revised), (EIC-D-111/1), and have adopted the recommendations indicated in Section 8 thereof.


Principal Staff Economist

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Attachment:
EIC-D-111/1 (2 copies)

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7 June 1955 (Revised - 9 Aug. 1955)

EIC-D-111/1

MEMORANDUM FOR: Economic Intelligence Committee

FROM : Special Working Group for the Evaluation of
Economic Intelligence Support

1. On 23 September 1954, the Economic Intelligence Committee (EIC) charged this Special Working Group with analyzing and evaluating "the present efforts of the economic intelligence community in the light of the over-all needs of the U.S. Government for economic intelligence related to the national security." (EIC-M-38)

2. At the first meeting of the Group the following papers, outlining the authority for the EIC investigation, were reviewed:

a. The EIC Terms of Reference, particularly paragraphs 3 c, d, e, and f.

b. NSCID 15, particularly paragraph 1.

c. A memorandum, with attachments, from the DCI to the Executive Secretary of the NSC, dated May 1951, on the subject of foreign economic intelligence facilities and arrangements relating to the national security.

3. It was recognized immediately that the scope of the assignment was almost without limit and that some initial delineation would have to be made in order to focus the attention of the Group on a single priority segment of the total problem. Studies of special types of intelligence support of interdepartmental interest -- such

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as basic economic intelligence and intelligence support for the economic defense program -- were not considered to be of any great urgency at this time in view of the many specialized committees already charged with assuring the adequacy of intelligence support in these fields. The work of the NIS Committee and the Economic Defense Intelligence Committee are good examples of this. Likewise the Group decided not to consider the extent to which particular categories of departmental requirements (IAC and non-IAC) are adequately covered by existing arrangements. A survey of this subject, if undertaken would involve the analysis of numerous sub-topics, including for example: ORR/CIA economic intelligence on the Alcor as support for the continuing requirements of the Department of the Air Force; Department of Commerce trade analysis as support for the Department of State and CIA; and so on. Obviously many of these special support relationships are examined from time to time by the agencies concerned and any survey of these arrangements by the EIC necessarily would have to be very selective.

4. The Special Working Group did not rule out any future study of the broad problem areas summarized above. Rather it concluded, for reasons noted in the balance of this report, that support for national intelligence, as embodied in National Intelligence Estimates' Program, should be evaluated as a matter of first priority. In summary the Group concluded that there are at least three possible

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ways in which the EIC might assist in improving this support.

- a. Discussion by the EIC of proposals for future NIE's.
- b. Acceptance by the EIC of responsibility for insuring appropriate action on the economic sections of selected NIE Post-Mortems.
- c. Acceptance by the EIC of responsibility for insuring appropriate action and guidance on selected economic sections of the National Intelligence Objectives (IAC-D-50/3, dated 30 November 1954).

5. EIC Proposals for the NIE Program

Arrangements, of course, already exist for eliciting suggestions for NIE's from the economic intelligence community. As things now stand each IAC representative brings in whatever proposals the economic intelligence components of his particular agency believes are of priority importance. There are occasions, however, when the EIC might usefully supplement these established procedures. Individual members may have proposals for NIE's -- predominantly economic in scope -- which could appropriately and usefully be discussed in the EIC and which could result in the presentation of proposals to the IAC by the agency or agencies most interested in the proposal.

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6. EIC Assistance on Selected Post-Mortems

The EIC already has procedures for identifying priority research and collection deficiencies in various fields of economic intelligence (e.g., electronics, telecommunications, transportation, military end-items, etc.). On the side of research, these procedures not only provide for the identification of priority gaps but also for arrangements with the EIC representatives for allocating production responsibilities to individual agencies to fill these gaps. (EIC-S-1 series - Research; EIC-S-16 series - Collection.) In practically all cases, these production responsibilities are allocated to individual agencies rather than to the EIC as a group. Agreement by the EIC that it is willing to insure that appropriate action is taken on the economic aspects of selected Post-Mortems would permit NIE priority research and collection requirements to be meshed with the existing EIC program. Moreover, it would move the EIC to a consideration of priority deficiency problems requiring research studies covering more than one field. Currently the EIC efforts to fill priority research gaps have been confined almost entirely to individual sectors of the economy.

The EIC did provide, for example, a coordinated research study on the "Capability of the Trans-Sib and the Connecting Lines in Manchuria", which temporarily filled priority gaps noted in certain National Intelligence Estimates. Moreover, a very definitive

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EIC study is currently in process which not only re-examines the conclusions of this study but provides all detailed intelligence required to fill many of the deficiencies observed in earlier NIE's covering Communist China's trade. The proposition here is simply that this procedure to fill gaps revealed by NIE's be generalized. Obviously the utility of having the EIC involved in this process depends substantially on the subject matter involved. Normally the EIC could add very little if the subject matter were primarily the responsibility of a single agency as outlined in DCID 15/1.

If the EIC were to assume this responsibility in connection with a Post-Mortem, such as one of those outlined in TAB A, it might proceed along the following lines:

- a. The EIC would agree to insure appropriate action on the economic gaps noted in the Post-Mortem.
- b. The EIC would assign the responsibility to the appropriate subcommittee or working group.
- c. The subcommittee or working group, together with a designated representative from ONE, would prepare a more definitive statement of the precise aspects of this problem which represented critical weaknesses in the intelligence underlying the estimate.
- d. The subcommittee or working group would then advise the EIC of the informal allocation of production

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responsibility among individual EIC agencies for specific research projects. In addition it would coordinate with the Requirements Subcommittee of the EIC to insure that appropriate steps have been taken on collection and that any suggested new collection techniques are thoroughly discussed.

e. The EIC Secretariat would periodically summarize all of the action initiated in a report to the EIC.

7. EIC Assistance on Selected Economic Sections of the National Intelligence Objectives (IAC D-50/3, dated 30 November 1954)

EIC responsibility in connection with the National Intelligence Objectives could correspond to the responsibility proposed above on the Post-Mortems. It must be emphasized that this does not mean that the EIC as a group would undertake the research or give collection guidance. It simply means that the EIC would discuss who should and can appropriately do the work required to insure that the National Intelligence Objectives are being handled adequately. Here again procedures currently in effect in the EIC could be adapted and extended to fulfill this responsibility.

8. Recommendations

That for a trial period of one year the EIC agree to the following proposals:

a. That the EIC recognize that certain potential proposals for NIE's, primarily economic in scope, can usefully be discussed

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in the EIC prior to presentation to the IAC by an agency or agencies most interested. It is not intended that such a review by the EIC in any way supersedes the established procedure of direct submission of suggestions by individual agencies to the Board of National Estimates for interagency consideration. Rather it is intended to make the facilities of the EIC available in those special cases where it can usefully make a contribution.

b. Members of the EIC are urged to keep advised on NIE Post-Mortem discussions which involve matters of interest to the EIC. The Chairman is requested to bring before the Committee any Post-Mortem subjects which he feels are pertinent for discussion or possible EIC action. The EIC will then decide on a case-by-case basis which of these Post-Mortems and which particular sections require the kind of EIC support described in Section 6 above, and how this support will be provided. In undertaking this responsibility the EIC will not take action on the economic sections of Post-Mortems which are clearly the responsibility of a single agency as outlined in DCID 15/1.

c. That the EIC Secretariat be directed to distribute to the IAC members of the EIC those sections of the National Intelligence Objectives relating to economic intelligence. The EIC will then decide on a section-by-section basis which of these Objectives require the kind of EIC support described in Sections 6 and 7 above,

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and how this support will be provided. In undertaking this responsibility, the EIC will not take action on the economic sections of the National Intelligence Objectives which are clearly the responsibility of a single agency as outlined in DCID 15/1.



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(Members Special Working Group)

Attachment: TAB A:
Excerpt from Draft Post-Mortem
of NIE Production for Period
1 July to 31 December 1954

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